

TOWNSHIP OF ST. CHARLES
SAGINAW COUNTY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name St. Charles	County Saginaw
Audit Date 6/30/05	Opinion Date 8/17/05	Date Accountant Report Submitted to State: 9/5/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☒ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓


Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC			
Street Address 1107 E. Eighth Street	City Traverse City	State MI	ZIP 49686
Accountant Signature 		Date 9/5/05	

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INTRODUCTORY SECTION

Township of St. Charles
List of Elected Officials
June 30, 2005

Lawrence J. Mahoney

Supervisor

Elaine K. Rolando

Clerk

Kathleen M. Klein

Treasurer

Vivian M. Vogelaar

Trustee

John Vogt

Trustee

FINANCIAL SECTION

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

INDEPENDENT AUDITORS' REPORT

Members of the Township Board
Township of St. Charles
Saginaw County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of St. Charles, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of St. Charles, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of St. Charles, Michigan, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

Barry E. Gaudette, CPA, P.C.

August 17, 2005

BASIC FINANCIAL STATEMENTS

Township of St. Charles
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 144,365
Restricted cash	2,535
Prepaid expenses	6,307
Capital assets (net of accumulated depreciation):	
Land	8,835
Buildings & improvements	85,978
Machinery & equipment	6,949
Office furniture & equipment	27,903
Cemetery, improvements & equipment	<u>18,739</u>
Total Assets	<u>301,611</u>
 LIABILITIES	
Accrued expenses	<u>1,802</u>
Total liabilities	<u>1,802</u>
 NET ASSETS	
Invested in capital assets	148,404
Restricted for:	
Cemetery Chapel Fund	2,535
Unrestricted	<u>148,870</u>
Total net assets	<u>\$ 299,809</u>

See notes to financial statements

Township of St. Charles
Statement of Activities
For the Year Ended June 30, 2005

Functions /Programs	Program Revenues			
	<u>Expenses</u>	<u>Fees, Charges for Services</u>	<u>Operating Grants and Contrib.'s</u>	<u>Capital Grants and Contrib.'s</u>
Governmental activities:				
Legislative General government	\$ 4,018	\$	\$	\$
Public safety	114,677	9,135	4,943	
Public works	4,884			
Community/economic development	78,421	64,173		
Health & welfare	11,714	9,345		
Culture & recreation	1,226			
Other:	6,000			
Ecology	500			
Depreciation	<u>16,374</u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities	<u>\$237,814</u>	<u>\$ 82,653</u>	<u>\$ 4,943</u>	<u>\$</u>

General revenues:
Property taxes & administrative fees
Licenses & fees
State aid
Interest earnings
Rentals
Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

Net (Expenses)
Revenues and
Changes in
Net Assets

Governmental
Activities

\$ (4,018)

(100,599)

(4,884)

(14,248)

(2,369)

(1,226)

(6,000)

(500)

(16,374)

(150,218)

84,721

13

95,386

1,181

40

309

181,650

31,432

268,377

\$ 299,809

Township of St. Charles
Balance Sheet
Governmental Funds
June 30, 2005

	<u>General</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 144,365	\$ 144,365
Restricted cash	2,535	2,535
Prepaid expenses	<u>6,307</u>	<u>6,307</u>
Total Assets	<u>\$ 153,207</u>	<u>\$ 153,207</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accrued expenses	\$ 1,802	\$ 1,802
Total liabilities	<u>1,802</u>	<u>1,802</u>
Fund balances:		
Reserved for:		
Cemetery Chapel Fund	2,535	2,535
Unreserved reported in:		
General fund	<u>148,870</u>	<u>148,870</u>
Total fund balances	<u>151,405</u>	<u>151,405</u>
Total liabilities and fund balances	<u>\$ 153,207</u>	<u>\$ 153,207</u>

See notes to financial statements

Township of St. Charles
Reconciliation of the Governmental Funds
Balance Sheet
With the Statement of Net Assets
June 30, 2005

Amounts reported for governmental activities in the
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 151,405
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Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds:

Cost of capital assets	180,953
Accumulated depreciation	<u>(32,549)</u>

Total Net Assets - Governmental Activities	<u>\$ 299,809</u>
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See notes to financial statements

Township of St. Charles
Statement of Revenues, Expenditures and Changes
In Fund Balance
Governmental Funds
For the Year Ended June 30, 2005

	<u>General</u>	<u>Total Governmental Funds</u>
REVENUES		
Taxes & adm. fees	\$ 84,721	\$ 84,721
Licenses & fees	9,358	9,358
State aid	100,329	100,329
Grave lots and other sales	9,135	9,135
Interest and dividends	1,181	1,181
Special assessments-refuse	64,173	64,173
Rents	40	40
Miscellaneous	<u>309</u>	<u>309</u>
Total revenues	<u>269,246</u>	<u>269,246</u>
EXPENDITURES		
Current:		
Legislative	4,018	4,018
General government	114,677	114,677
Public safety	11,714	11,714
Public works	78,421	78,421
Community/economic development	4,884	4,884
Health & welfare	1,226	1,226
Culture & recreation	6,000	6,000
Ecology	500	500
Capital outlay	<u>2,000</u>	<u>2,000</u>
Total expenditures	<u>223,440</u>	<u>223,440</u>
Net changes in fund balances	45,806	45,806
Fund balances - beginning	<u>105,599</u>	<u>105,599</u>
Fund balances - ending	<u>\$ 151,405</u>	<u>\$ 151,405</u>

See notes to financial statements

Township of St. Charles
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the
statement of activities are different because:

Total net change in fund balances - governmental funds	\$ 45,806
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Capital outlays to purchase capital assets
and books are recorded in governmental
funds as expenditures. However, for
governmental activities those costs are
shown in the statement of net assets and
are depreciated over their estimated
useful lives as annual depreciation in
the statement of activities.

This amount by which capital outlays
exceeded depreciation in the period.

Capital outlays	\$ 2,000
Depreciation expense	<u>(16,374)</u> (14,374)

Change in net assets of governmental activities	<u>\$ 31,432</u>
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See notes to financial statements

Township of St. Charles
General Fund
Statement of Revenues, Expenditures,
and Changes in Fund Balance
- Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes and related fees	\$ 79,800	\$ 79,800	\$ 84,721	\$ 4,921
Building permits	5,000	5,000	9,345	4,345
Dog licenses	18	18	13	(5)
State aid	20,000	20,000	100,329	80,329
Grave lots and other sales	6,000	6,000	9,135	3,135
Interest and dividends	600	600	1,181	581
Special assessments - refuse	63,000	63,000	64,173	1,173
Rents			40	40
Miscellaneous	<u>100</u>	<u>100</u>	<u>309</u>	<u>209</u>
Total revenues	<u>174,518</u>	<u>174,518</u>	<u>269,246</u>	<u>94,728</u>
EXPENDITURES				
Current:				
Legislative:				
Township board	4,300	4,300	4,018	282
General government:				
Supervisor	9,150	9,150	8,872	278
Elections	4,000	4,000	3,894	106
Accounting & general	34,500	34,500	32,701	1,799
Assessor	15,500	15,500	14,600	900
Attorney	1,000	1,500	1,404	96
Clerk	10,750	10,750	10,506	244
Board of review	1,700	2,200	1,292	908
Treasurer	25,600	25,600	24,184	1,416
Township hall	8,000	8,000	6,189	1,811
Cemetery	17,100	17,100	11,035	6,065
Public safety:				
Building inspections	13,400	13,400	11,714	1,686
Public works:				
Drain expense	9,000	9,000	6,528	2,472
Roads	12,000	12,000	10,171	1,829
Sanitation	63,000	63,000	61,722	1,278

Township of St. Charles
General Fund
Statement of Revenues, Expenditures,
and Changes in Fund Balance
- Budget and Actual
For the Year Ended June 30, 2005
(Continued)

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
EXPENDITURES				
(Continued):				
Community/economic development:				
Planning & zoning	5,400	5,400	4,884	516
Health & welfare:				
Health center	1,000	1,000	1,226	(226)
Culture & recreation:				
Parks & recreation	4,000	4,000	6,000	(2,000)
Other:				
Ecology	500	500	500	
Capital outlay	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	
Total				
expenditures	<u>241,900</u>	<u>242,900</u>	<u>223,440</u>	<u>19,460</u>
Net change in fund balances	(67,382)	(68,382)	45,806	114,188
Fund balance - beginning	<u>92,351</u>	<u>92,351</u>	<u>105,599</u>	<u>13,248</u>
Fund balance - ending	<u>\$ 24,969</u>	<u>\$ 23,969</u>	<u>\$151,405</u>	<u>\$ 127,436</u>

See notes to financial statements

Township of St. Charles
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2005

	<u>Tax Collection Fund</u>
ASSETS	
Cash and cash equivalents	\$ -
Total Assets	-
 LIABILITIES	
Due to other funds	-
 NET ASSETS	
Held in trust for other purposes	<u>\$ -</u>

See notes to financial statements

Township of St. Charles
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2005

	<u>Tax Collection Fund</u>
ADDITIONS	
Property tax collections and fees	\$2,042,253
Total additions	<u>2,042,253</u>
DEDUCTIONS	
Transfer to General Fund	148,894
Payments to other governmental units	<u>1,893,359</u>
Total deductions	<u>2,042,253</u>
Changes in net assets	
Net assets - beginning	<u> </u>
Net assets - ending	<u>\$ </u>

See notes to financial statements

Township of St. Charles
Notes to the Financial Statements
June 30, 2005

I. Summary of significant accounting policies

The financial statements of the Township of St. Charles (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

A. Reporting entity

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The Township has no responsibility for any fiduciary funds. Major individual governmental funds are reported as separate columns in the financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

Property taxes, interest, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Saginaw County, which advances the Township 100% for the delinquent taxes.

The 2004 real taxable valuation of the Township totaled \$64,986,502, on which ad valorem taxes levied consisted of .8997 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees to collect the taxes and applicable interest.

The Township reports the following major governmental fund:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

Additionally, the government reports the following fund type:

The *current tax collection fund* is an agency fund and is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, liabilities and net assets

1. Deposits and investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASBS No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration (with a maturity of three months or less) the rate of return is fixed, such as certificates of deposit, and the Township intends to hold the investment until maturity.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration,

respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

The Township Board has designated two banks for the deposit of Township funds, but is currently using only one bank.

2. *Short-term interfund receivables/payable*

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements.

3. *Receivables and payables*

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

4. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. *Capital assets*

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

Building	40 years
Building improvements	10 years

Machinery and equipment	5 years
Office furniture and equipment	5 years
Cemetery improvements and equipment	10 years

6. *Compensated absences*

The Township does not have a compensated absence policy.

7. *Long-term obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. The Township does not have any long-term debt.

8. *Fund balance*

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spending resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

9. *Use of estimates*

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

II. Stewardship, compliance and accountability

A. *Budgetary information*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to July 1st.

B. Excess of expenditures over appropriations

During the year ended June 30, 2005, the Township incurred expenditures in certain budgetary funds which were in excess of amounts appropriated, \$200 for health center and \$2,000 in parks & recreation.

III. Detailed notes on all funds

A. Deposits and investments

At year-end, the carrying amount of the Township's deposits were \$146,900 and the bank balance was \$149,208, of which \$149,208 was covered by federal depository insurance. The Township has \$29 in petty cash on hand.

B. Capital assets

Capital asset balances and activity for the year ended June 30, 2005 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	<u>\$ 8,835</u>	<u>\$</u>	<u>\$</u>	<u>\$ 8,835</u>
Capital assets being depreciated:				
Buildings & improvements	88,608	2,000		90,608
Machinery & equipment	11,582			11,582
Office furniture & equipment	46,505			46,505
Cemetery improvements & equipment	<u>23,423</u>	<u></u>	<u></u>	<u>23,423</u>
Subtotal	<u>170,118</u>	<u>2,000</u>	<u></u>	<u>172,118</u>
Less accumulated depreciation for:				
Buildings	2,215	2,215		4,430
Building improvements		200		200
Machinery & equipment	2,317	2,316		4,633
Office furniture & equipment	9,301	9,301		18,602
Cemetery improvements & equipment	<u>2,342</u>	<u>2,342</u>	<u></u>	<u>4,684</u>
Subtotal	<u>16,175</u>	<u>16,374</u>	<u></u>	<u>32,549</u>
Net capital assets being depreciated	<u>153,943</u>	<u>(14,374)</u>	<u></u>	<u>139,569</u>
Governmental activities capital assets-net of depreciation	<u>\$ 162,778</u>	<u>\$ (14,374)</u>	<u>\$</u>	<u>\$ 148,404</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 11,617
Township hall	2,415
Cemetery	<u>2,342</u>
Total depreciation expense-	
governmental activities	<u>\$ 16,374</u>

IV. Other information

A. Risk management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Township has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

B: Pension plan

The Township does not provide a pension plan for its employees.

C: Intergovernmental agreements

The Township has an agreement with the Tri-Township Fire Department of Brant, St. Charles, and Swan Creek Townships to render fire protection to its residents.

COMMENTS AND RECOMMENDATIONS

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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Traverse City, Michigan 49686
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Members of the Township Board
Township of St. Charles
St. Charles, Michigan

Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The following comment and recommendation is based on observations made during the course of our examination for the year ended June 30, 2005.

Credit Card Policy

The Township has a credit card, but not a credit policy. The Township Board adopted a credit card policy at the September board meeting.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management, the Township Board, and the Michigan Department of Treasury and should not be used for any other purpose.

Barry E. Gaudette, CPA, P.C.

August 17, 2005